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LAI SUN DEVELOPMENT

Lai Sun Development Company Limited
(Incorporated in Hong Kong with limited liability)

(Stock Code: 488)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2009

RESULTS

The Board of Directors of Lai Sun Development Company Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 July 2009 as follows:

Consolidated Income Statement

For the year ended 31 July 2009

	Notes	2009 HK\$'000	2008 HK\$'000
TURNOVER	2	649,742	826,506
Cost of sales		<u>(195,206)</u>	<u>(261,621)</u>
Gross profit		454,536	564,885
Other revenue	3	22,858	125,012
Administrative expenses		(273,312)	(307,594)
Other operating expenses, net		(58,937)	(97,480)
Fair value gain/(loss) on investment properties		(145,748)	721,604
Gain on disposal of subsidiaries		-	699,036
Reversal of provision/(provision) for tax indemnity	4	<u>11,936</u>	<u>(464,632)</u>
PROFIT FROM OPERATING ACTIVITIES	5	11,333	1,240,831
Finance costs	6	(58,479)	(104,078)
Share of profits and losses of associates		(132,483)	19,736
Discount on acquisition of additional interests in an associate		-	22,761
Loss on deemed disposal of interest in an associate		<u>-</u>	<u>(2,664)</u>
PROFIT/(LOSS) BEFORE TAX		(179,629)	1,176,586
Tax	7	<u>(3,868)</u>	<u>(96,318)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>(183,497)</u>	<u>1,080,268</u>
Attributable to:			
Ordinary equity holders of the Company		(220,985)	1,013,333
Minority interests		<u>37,488</u>	<u>66,935</u>
		<u>(183,497)</u>	<u>1,080,268</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>HK (1.56) cents</u>	<u>HK 7.16 cents</u>
Diluted		<u>N/A</u>	<u>HK 7.16 cents</u>

Consolidated Balance Sheet
As at 31 July 2009

	Notes	2009 HK\$'000	2008 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		379,091	335,775
Prepaid land lease payments		28,094	29,121
Investment properties		5,192,800	5,336,000
Properties under development		723,552	451,558
Goodwill		-	-
Interests in associates	9	2,659,637	2,770,370
Available-for-sale financial assets		441,419	453,200
Held-to-maturity debt investments		12,205	-
Pledged bank balances and time deposits		-	94,121
Deposits paid		-	18,800
Total non-current assets		9,436,798	9,488,945
CURRENT ASSETS			
Completed properties for sale		2,350	2,350
Equity investments at fair value through profit or loss		38,332	49,842
Inventories		5,050	4,429
Debtors and deposits paid	10(a)	86,714	96,209
Held-to-maturity debt investments		241,145	-
Pledged bank balances and time deposits		77,547	-
Cash and cash equivalents		1,079,259	1,255,348
Total current assets		1,530,397	1,408,178
CURRENT LIABILITIES			
Creditors, deposits received and accruals	10(b)	206,417	176,828
Tax payable		39,221	24,083
Bank borrowings		613,249	152,175
Total current liabilities		858,887	353,086
NET CURRENT ASSETS		671,510	1,055,092
TOTAL ASSETS LESS CURRENT LIABILITIES		10,108,308	10,544,037
NON-CURRENT LIABILITIES			
Bank borrowings		(1,533,829)	(1,722,703)
Deferred tax		(766,103)	(785,523)
Provision for tax indemnity	4	(452,696)	(464,632)
Long term rental deposits received		(40,576)	(44,431)
Total non-current liabilities		(2,793,204)	(3,017,289)
		7,315,104	7,526,748
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	11	141,620	141,620
Share premium account		6,974,701	6,974,701
Investment revaluation reserve		450,378	464,780
Share option reserve		19,019	16,694
Capital redemption reserve		1,200,000	1,200,000
General reserve	11	504,136	504,136
Special capital reserve	11	46,885	46,885
Exchange fluctuation reserve		41,579	41,978
Accumulated losses		(2,284,844)	(2,063,859)
		7,093,474	7,326,935
Minority interests		221,630	199,813
		7,315,104	7,526,748

Notes to Consolidated Financial Statements

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, equity investments at fair value through profit or loss and certain available-for-sale financial assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (HK\$) and all values are rounded to the nearest thousand except when otherwise indicated.

2. SEGMENT INFORMATION

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and capital expenditure information for the Group's business segments for the years ended 31 July 2009 and 2008:

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Segment revenue:												
Sales to external customers	-	659	340,980	333,450	284,335	469,979	24,427	22,418	-	-	649,742	826,506
Intersegment sales	-	-	9,967	8,259	-	-	24,861	32,235	(34,828)	(40,494)	-	-
Other revenue	1,276	607	613	523	22	634	-	7	-	-	1,911	1,771
Total	1,276	1,266	351,560	342,232	284,357	470,613	49,288	54,660	(34,828)	(40,494)	651,653	828,277
Segment results	(482)	178	113,943	973,709	63,706	825,767	8,197	4,244	-	-	185,364	1,803,898
Interest income and unallocated gains											20,947	123,241
Unallocated expenses											(206,914)	(221,676)
Reversal of provision/(provision) for tax indemnity											11,936	(464,632)
Profit from operating activities											11,333	1,240,831
Finance costs											(58,479)	(104,078)
Share of profits and losses of associates	(27)	162	(344)	(309)	(12)	(2,185)	-	-	-	-	(383)	(2,332)
Share of profits and losses of associates - unallocated											(132,100)	22,068
Discount on acquisition of additional interests in an associate											-	22,761
Loss on deemed disposal of interest in an associate											-	(2,664)
Profit/(loss) before tax											(179,629)	1,176,586
Tax											(3,868)	(96,318)
Profit/(loss) for the year											(183,497)	1,080,268

2. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities:										
Segment assets	731,903	478,952	5,213,345	5,354,020	504,351	458,285	46,278	40,363	6,495,877	6,331,620
Interests in associates	235,465	218,171	524,881	525,229	-	-	-	-	760,346	743,400
Interests in associates - unallocated									1,899,291	2,026,970
Unallocated assets									1,811,681	1,795,133
Total assets									10,967,195	10,897,123
Segment liabilities	11,784	6,599	89,342	89,315	41,617	29,183	13,201	10,104	155,944	135,201
Bank borrowings									2,147,078	1,874,878
Other unallocated liabilities									1,349,069	1,360,296
Total liabilities									3,652,091	3,370,375
Other segment information:										
Amortisation of prepaid land lease payments	-	-	-	-	1,027	1,027	-	-	1,027	1,027
Depreciation	-	-	28	28	14,343	27,802	271	213	14,642	28,043
Depreciation - unallocated									11,366	10,234
									26,008	38,277
Impairment of goodwill	-	-	-	-	-	1,716	-	-	-	1,716
Gain on disposal of subsidiaries	-	-	-	-	-	(699,036)	-	-	-	(699,036)
Fair value (gain)/loss on investment properties	-	-	145,748	(721,604)	-	-	-	-	145,748	(721,604)
Capital expenditure	253,291	363,416	2,548	4,796	15,335	24,498	281	798	271,455	393,508
Capital expenditure - unallocated									53,708	1,173
									325,163	394,681

2. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following tables present revenue and certain asset and capital expenditure information for the Group's geographical segments for the years ended 31 July 2009 and 2008:

	Hong Kong		Vietnam		Consolidated	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Segment revenue:						
Sales to external customers	395,175	556,263	254,567	270,243	649,742	826,506
Other revenue	1,911	1,771	—	—	1,911	1,771
Total	<u>397,086</u>	<u>558,034</u>	<u>254,567</u>	<u>270,243</u>	<u>651,653</u>	<u>828,277</u>
Other segment information:						
Segment assets	<u>6,015,701</u>	<u>5,885,493</u>	<u>480,176</u>	<u>446,127</u>	<u>6,495,877</u>	<u>6,331,620</u>
Capital expenditure	<u>319,146</u>	<u>380,145</u>	<u>6,017</u>	<u>14,536</u>	<u>325,163</u>	<u>394,681</u>

3. OTHER REVENUE

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest income from bank deposits	11,546	26,512
Interest income from held-to-maturity debt investments	1,317	-
Other interest income	1,328	6,667
Dividend income from unlisted available-for-sale equity investments	1,247	611
Return of capital from an unlisted available-for-sale equity investment	424	-
Gain on disposal of an available-for-sale financial asset	-	82,124
Others	<u>6,996</u>	<u>9,098</u>
	<u>22,858</u>	<u>125,012</u>

4. REVERSAL OF PROVISION/(PROVISION) FOR TAX INDEMNITY

Pursuant to an indemnity deed (the "Lai Fung Tax Indemnity Deed") dated 12 November 1997 entered into between the Company and Lai Fung Holdings Limited ("Lai Fung"), the Company has undertaken to indemnify Lai Fung in respect of certain potential PRC income tax and land appreciation tax ("LAT") payable or shared by Lai Fung in consequence of the disposal of any of the property interests attributable to Lai Fung through its subsidiaries and its associates as at 31 October 1997 (the "Property Interests"). These tax indemnities given by the Company apply in so far as such tax is applicable to the difference between (i) the value of the Property Interests in the valuation thereon by Chesterton Petty Limited, independent chartered surveyors, as at 31 October 1997 (the "Valuation"); and (ii) the aggregate costs of such Property Interests incurred up to 31 October 1997, together with the amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests. The indemnity deed assumes that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing PRC income tax and LAT prevailing at the time of the Valuation.

The indemnities given by the Company do not cover (i) new properties acquired by Lai Fung subsequent to the listing of the shares of Lai Fung on The Stock Exchange of Hong Kong Limited (the "Listing"); (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of Lai Fung as set out in Lai Fung's prospectus dated 18 November 1997.

After taking into account the Property Interests currently held by Lai Fung as at 31 July 2009 which are covered under the Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing PRC income tax and LAT, the total amount of tax indemnity given by the Company is estimated to be HK\$1,341,829,000.

As at 31 July 2009, the directors of the Company, after taking into account the prevailing market situation and the latest development plan and status of the various individual property development projects as included in the Property Interests and the prevailing tax rates and legislation governing PRC income tax and LAT, considered it is probable that an estimated amount of HK\$452,696,000 (2008:HK\$464,632,000) of the abovementioned tax indemnity given by the Company would be crystallised. Therefore, a reversal of provision for the tax indemnity amount of HK\$11,936,000 (2008: provision of HK\$464,632,000) was recognised in the income statement for the year ended 31 July 2009.

5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2009 HK\$'000	2008 <i>HK\$'000</i>
Depreciation #	26,008	38,277
Amortisation of prepaid land lease payments *	1,027	1,027
Impairment of goodwill *	-	1,716
Gain on disposal of items of property, plant and equipment *	-	(446)
Gain on disposal of properties under development	-	(439)
Loss on disposal of investment properties	-	2,920
Fair value loss on equity investments at fair value through profit or loss*	30,229	54,012
Loss on disposal of equity investments at fair value through profit or loss*	1,563	90

Depreciation charge of HK\$18,064,000 (2008: HK\$29,912,000) for property, plant and equipment is included in "other operating expenses, net" on the face of the consolidated income statement.

* These items are included in "other operating expenses, net" on the face of the consolidated income statement.

6. FINANCE COSTS

	2009 HK\$'000	2008 <i>HK\$'000</i>
Interest on bank and other borrowings wholly repayable within five years	54,450	102,898
Bank financing charges	7,409	6,964
	61,859	109,862
Less : Amount capitalised in properties under development	(3,380)	(5,784)
	58,479	104,078

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current tax		
Hong Kong	10,483	8,259
Overseas	<u>11,864</u>	<u>13,928</u>
	<u>22,347</u>	<u>22,187</u>
Deferred tax		
Current year	(19,420)	99,102
Change in profits tax rate	<u>-</u>	<u>(41,551)</u>
	<u>(19,420)</u>	<u>57,551</u>
Prior year's under provision - Hong Kong	<u>941</u>	<u>16,580</u>
Tax charge for the year	<u><u>3,868</u></u>	<u><u>96,318</u></u>

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$220,985,000 (2008: profit attributable to ordinary equity holders of the Company of HK\$1,013,333,000) and the weighted average number of 14,162,042,000 (2008: 14,162,042,000) ordinary shares in issue during the year.

Diluted loss per share for the current year has not been presented as no diluting events existed during the year.

The calculation of diluted earnings per share for the year ended 31 July 2008 was based on the adjusted profit attributable to ordinary equity holders of the Company for the year ended 31 July 2008 of HK\$1,013,324,000 and the weighted average number of 14,162,042,000 ordinary shares in issue during that year.

The calculation of adjusted profit attributable to ordinary equity holders of the Company for the year ended 31 July 2008 was based on the profit attributable to ordinary equity holders of the Company for the year of HK\$1,013,333,000 less the dilution in the results of an associate, eSun Holdings Limited ("eSun"), attributable to the Group of HK\$9,000 arising from the deemed exercise of all eSun's share options with dilutive effect being outstanding during that year.

9. INTERESTS IN ASSOCIATES

The eSun Group

Included in the Group's interests in associates at 31 July 2009 is the Group's share of net assets of eSun and its subsidiaries (the "eSun Group") of HK\$1,886,180,000 (2008: HK\$2,017,971,000).

A cross holding position has been existing between eSun and the Company. As at 31 July 2009, the Group's interest in eSun was 36.08% (2008: 36.08%) and the eSun Group held 36.72% (2008: 36.72%) in the issued share capital of the Company.

10. DEBTORS AND DEPOSITS PAID/CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

- (a) The Group maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sales proceeds receivable from the sale of properties are settled in accordance with the terms of the respective contracts. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. Hotel and restaurant charges are mainly settled by customers on cash basis except for those corporate clients who maintain credit accounts with the respective subsidiaries, the settlement of which is in accordance with the respective agreements.

An ageing analysis of the trade debtors, based on payment due date, as at the balance sheet date is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade debtors:		
Less than 30 days past due	5,307	6,869
31 – 60 days past due	1,215	1,717
61 – 90 days past due	459	681
Over 90 days past due	<u>1,918</u>	<u>3,344</u>
	8,899	12,611
Other debtors and deposits paid	<u>77,815</u>	<u>102,398</u>
	86,714	115,009
Portion classified as non-current:		
Deposit paid for acquisition of properties under development	<u>-</u>	<u>(18,800)</u>
Current portion	<u><u>86,714</u></u>	<u><u>96,209</u></u>

- (b) An ageing analysis of the trade creditors, based on payment due date, as at the balance sheet date is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade creditors:		
Less than 30 days past due	6,887	6,702
31 – 60 days past due	654	28
61 – 90 days past due	-	19
Over 90 days past due	<u>-</u>	<u>113</u>
	7,541	6,862
Other creditors, deposits received and accruals	<u>198,876</u>	<u>169,966</u>
	<u><u>206,417</u></u>	<u><u>176,828</u></u>

11. SHARE CAPITAL

	2009		2008	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 (2008: HK\$0.01) each	<u>17,200,000</u>	<u>172,000</u>	<u>16,000,000</u>	160,000
Preference shares of HK\$1.00 each	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>
		<u>1,372,000</u>		<u>1,360,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 (2008: HK\$0.01) each	<u>14,162,042</u>	<u>141,620</u>	<u>14,162,042</u>	<u>141,620</u>

Pursuant to an ordinary resolution passed on 23 December 2008, the authorised ordinary share capital of the Company was increased from HK\$160,000,000 to HK\$172,000,000 by creation of an additional 1,200,000,000 ordinary shares of HK\$0.01 each, ranking pari passu in all respects with the existing ordinary shares of the Company.

Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 24 July 2006, and the subsequent Order of the High Court of Hong Kong granted on 17 October 2006, the Company effected a capital reduction (the "Capital Reduction") which took effect on 18 October 2006. The paid-up capital on each of its issued ordinary shares of HK\$0.50 was cancelled to the extent of HK\$0.49 per share, and the nominal value of all of the ordinary shares of the Company, both issued and unissued, was reduced from HK\$0.50 per share to HK\$0.01 per share. A total credit of HK\$6,245,561,000 had arisen as a result of the Capital Reduction. An amount of HK\$5,619,000,000 of the total credit was credited to the accumulated losses of the Company and the remaining amount of HK\$626,561,000 was credited to the share premium account of the Company.

An undertaking in standard terms was given to the High Court by the Company in connection with the Capital Reduction. The undertaking is for the benefit of the Company's creditors as at the effective date of the Capital Reduction. Pursuant to the undertaking, any receipts by the Company on or after 1 August 2005 in respect of the Company's:

- (1) 50% investment in Fortune Sign Venture Inc. ("Fortune Sign"), up to an aggregate amount of HK\$1,556,000,000;
- (2) 10% investment in Bayshore Development Group Limited ("Bayshore"), up to an aggregate amount of HK\$2,923,000,000; and/or
- (3) 100% investment in Furama Hotel Enterprises Limited, up to an aggregate amount of HK\$1,140,000,000

shall be credited to a special capital reserve in the accounting records of the Company. While any debt of or claim against the Company as at 18 October 2006 (the effective date of the Capital Reduction) remains outstanding, and the person entitled to the benefit thereof has not agreed otherwise, the special capital reserve shall not be treated as realised profits and (for so long as the Company remains a listed company) shall be treated as an undistributable reserve pursuant to Section 79C of the Hong Kong Companies Ordinance.

The undertaking is subject to the following provisos:

- (i) the amount standing to the credit of the special capital reserve may be applied for the same purposes as a share premium account may be applied or may be reduced or extinguished by the aggregate of any increase in the Company's issued share capital or share premium account resulting from an issue of shares for cash or other new consideration upon a capitalisation of distributable reserves after 18 October 2006 and the Company shall be at liberty to transfer the amount of any such reduction to the general reserves of the Company and the same shall become available for distribution;

11. SHARE CAPITAL *(continued)*

- (ii) the aggregate limit in respect of the special capital reserve may be reduced after the disposal or other realisation of any of the assets the subject of the undertaking (as referred to at (1) to (3) above) by the amount of the individual limit for the asset in question less such amount (if any) as is credited to the special capital reserve as a result of such disposal or realisation; and
- (iii) in the event that the amount standing to the credit of the special capital reserve exceeds the limit thereof, after any reduction of such limit pursuant to proviso (ii) above, the Company shall be at liberty to transfer the amount of such excess to the general reserve of the Company and the same shall become available for distribution.

In prior years, an aggregate amount of HK\$551,021,000, which comprised (i) the reversal of provision for impairment of the Company's interest in Peakflow Profits Limited, a wholly owned subsidiary of the Company which holds a 10% equity interest in Bayshore, to the extent of HK\$292,693,000; and (ii) the recognition of dividend income from the Company's investment in Fortune Sign of HK\$258,328,000, was transferred from accumulated losses to the special capital reserve of the Company.

After the effective date of the Capital Reduction, the Company entered into a placing agreement dated 17 November 2006 pursuant to which a total of 1,416,000,000 new ordinary shares of HK\$0.01 each in the capital of the Company were allotted and issued for net cash proceeds of HK\$504,136,000. With such increase in the Company's issued share capital and share premium account resulting from the placing of new shares for cash, an aggregate amount of HK\$504,136,000 was then transferred from special capital reserve to general reserve (a distributable reserve) of the Company in prior years pursuant to the provisos of the undertaking given by the Company in connection with the Capital Reduction as stated above.

12. POST BALANCE SHEET EVENT

On 21 September 2009, Diamond String Limited ("Diamond String"), an associate of the Group, awarded an exclusive mandate to CCB International Finance Limited, a wholly-owned subsidiary of China Construction Bank Corporation for the arrangement and underwriting of a syndicated term loan facility ("Loan Facility") up to HK\$1,530 million sought by Diamond String for the purposes of financing the re-development of its property situated at 3 Connaught Road Central, Hong Kong into a grade A office tower.

In relation to the Loan Facility, the Company and CCB International Group Holdings Limited, as equal beneficial shareholders of Diamond String, are required to provide, on a several basis and in proportion to their respective shareholdings in Diamond String, guarantees for all monies payable under the Loan Facility and undertakings to make good any cost over-runs on the redevelopment of the Property, during the tenor of the loan (collectively the "Corporate Guarantee").

In addition, the Company has sought the approval of its shareholders to authorise the Group to provide supplementary financial assistance to Diamond String of up to HK\$70 million ("Supplementary Financial Assistance") to cater for any agreed upscaling of the re-development project in the future. The Corporate Guarantee to be given by the Company constitutes a major transaction of the Company pursuant to Chapter 14 of the Listing Rules (and any Supplemental Financial Assistance would, therefore, increase the size of such major transaction) and, accordingly, requires the approval of the Company's shareholders in general meeting. A resolution for approving the Corporate Guarantee and Supplementary Financial Assistance was duly passed at an extraordinary general meeting of the Company on 2 November 2009. Further details of the transactions are set out in the Company's circular dated 13 October 2009.

DIVIDENDS

As at 31 July 2009, the Company did not have any reserves available for distribution in accordance with provisions of Section 79B of the Companies Ordinance. The directors of the Company do not recommend the payment of an ordinary dividend for the financial year ended 31 July 2009. No ordinary dividend was declared in respect of the previous corresponding year.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Final Results

For the year ended 31 July 2009, the Group recorded a turnover of HK\$649,742,000 (2008: HK\$826,506,000) and a gross profit of HK\$454,536,000 (2008: HK\$564,885,000), representing a decrease of approximately 21.4% and 19.5% respectively from the previous year. The decrease in turnover and gross profit was largely due to the lack of contribution during the year from the hotel operations of the former The Ritz-Carlton Hong Kong which ceased operations since 1 February 2008.

During the year under review, the Group recorded a fair value loss on investment properties of HK\$145,748,000 (2008: a gain of HK\$721,604,000) as a result of the adverse economic conditions from the global financial turmoil since the fourth quarter of 2008. During this year, the Group did not record any gain on disposal whereas in the previous year, the Group recorded a gain on disposal of HK\$699,036,000 for the disposal of a 26.57% interest in Diamond String Limited, which owns the former The Ritz-Carlton Hong Kong property. During this year, the Group recorded a reversal of provision for tax indemnity of approximately HK\$11,936,000 (2008: a provision of HK\$464,632,000). Such provision was made in the financial year of 2008 in respect of certain tax indemnity granted by the Group to Lai Fung Holdings Limited (“Lai Fung”) in November 1997 at the time of effecting the separate listing of Lai Fung on The Stock Exchange of Hong Kong Limited (*details of such tax indemnity and provision are set out in Note 4 above*). Mainly as a result of the above exceptional items, the Group recorded a profit from operating activities of HK\$11,333,000 during the year ended 31 July 2009, versus a profit from operating activities of HK\$1,240,831,000 in the previous year.

The Group currently holds a 36.08% interest in eSun Holdings Limited (“eSun”), which in turn holds a 36.72% interest in the Group. During the year, share of losses from associates was HK\$132,483,000, compared to share of profits from associates of HK\$19,736,000 in the previous year. Such share of losses from associates mainly reflected the operational losses of eSun after taking into account the cross-holdings between the Group and eSun. Also, the cross-holdings between the Group and eSun results in a further loss to the Group due to the Group’s further share of eSun’s loss arising from eSun’s share of the results of the Group.

As a result of decreases in interest rate, finance costs of the Group decreased to HK\$58,479,000 (2008: HK\$104,078,000).

For the year ended 31 July 2009, the Group recorded a consolidated net loss attributable to ordinary equity holders of the Company of HK\$220,985,000, compared to a consolidated net profit of HK\$1,013,333,000 in the previous year.

Shareholders’ equity as at 31 July 2009 amounted to HK\$7,093,474,000, down from HK\$7,326,935,000 as at 31 July 2008. Net asset value per share as at 31 July 2009 was HK\$0.501, as compared to HK\$0.517 as at 31 July 2008.

BUSINESS REVIEW

Investment Properties

The Group wholly owns three major investment properties for rental purposes, i.e. Causeway Bay Plaza 2, Cheung Sha Wan Plaza and Lai Sun Commercial Centre. For the year ended 31 July 2009, aggregate gross rental income from investment properties contributed to the Group's turnover of approximately HK\$340,980,000 (2008: HK\$331,400,000), slightly up by approximately 2.9% from the previous year. As at 31 July 2009, overall occupancy of the Group's investment properties remained high at 96%.

Development Properties

3 Connaught Road Central Project (Redevelopment of the former The Ritz-Carlton Hong Kong site)

This joint redevelopment project is a 50:50 joint venture between the Group and a wholly-owned subsidiary of China Construction Bank Corporation ("CCB"). The buildable GFA for the redevelopment is approximately 225,000 square feet. The redeveloped office tower will become a landmark property in Central, Hong Kong. Part of the redeveloped property, upon its completion, will be used by CCB as offices of its Hong Kong operations. Total construction cost of the project is estimated to be about HK\$1,100,000,000.

Demolition work of the former The Ritz-Carlton Hong Kong hotel property was completed in January 2009. Foundation work is in progress which is expected to complete in first quarter of 2010, and above-ground construction work will start thereafter. The entire redevelopment work is now expected to be completed in early 2012.

Wood Road Project, Wanchai

This joint residential development project is a 50:50 joint venture between the Group and a unit of the AIG Global Real Estate Investment (Asia) LLC. The development has a planned total gross floor area of approximately 140,000 square feet and a total development cost is estimated to be about HK\$1,300,000,000.

Foundation work was started in November 2007 and had been completed in September 2008. Above-ground construction work is scheduled for completion by second half of 2011. Pre-sale of the residential units is expected to commence in the first half of 2010.

Tai Po Road Project

The Group wholly owns this development project. The development project has a planned total gross floor area of about 60,000 square feet mainly for residential use and total development cost is now estimated to be about HK\$500,000,000.

Foundation work started in mid-April 2008 and had been completed in September 2008. Superstructure work has been started thereafter and is scheduled for completion in the first half of 2010. Pre-sale of the residential units is planned to commence by the end of 2009.

Yau Tong Project

The Group completed the purchase of a site located at No. 4 Shung Shun Street, Yau Tong, Kowloon, Hong Kong in September 2008. The consideration of purchase was HK\$188 million. The Group wholly owns this development project.

The site covers an area of approximately 17,760 square feet. During the year, the Group applied to the government and completed lease modification of the site to non-industrial use and has paid relevant land premium. The Group intends to develop the site into a residential-cum-commercial property with a total gross floor area of about 106,000 square feet.

Foundation work will start in 2010 and the entire construction is scheduled for completion by 2012.

Hotel Operations

For the year ended 31 July 2009, hotel and restaurant operations contributed HK\$284,335,000 (2008: HK\$469,979,000) to the Group's turnover, down approximately 39.5% from the previous year. The decrease in turnover was due to the lack of contribution during the year ended 31 July 2009 from the hotel operations of the former The Ritz-Carlton Hong Kong which ceased operations since 1 February 2008. In substance, most of the hotel and restaurant turnover was derived from the Group's operation of Caravelle Hotel in Ho Chi Minh City, Vietnam. For the year ended 31 July 2009, Caravelle Hotel achieved an average occupancy of 48% (2008: 64%) and average daily room rate of US\$192 (2008: US\$205).

eSun

eSun's principal businesses are media and entertainment and the development of the Macao Studio City project through its 40% effectively-owned jointly controlled entity.

For the year under review, the Group's share of eSun's losses (before taking into account the Group's further share of eSun's result arising from eSun's share of the results of the Group) included in the Group's share of results of associates was HK\$118,542,000 (2008: HK\$118,147,000). Since eSun holds a 36.72% equity interest in the Company, eSun is required to equity account for the results of the Group. As the Group also holds a 36.08% equity interest in eSun, the Group is required to further take up eSun's share of the Group's results. The effect of such recurring process leads to the Group taking up a further loss of HK\$13,572,000 (2008: a profit of HK\$143,808,000) and such amount is included in the Group's share of results of associates.

Taking into account the cross-holdings between the Group and eSun, the Group's share of eSun's losses included within the Group's share of results of associates for the year ended 31 July 2009 was HK\$132,114,000 (2008: a share of profit of HK\$25,661,000).

Macao Studio City

eSun's ambition remains to build Macao Studio City into one of Asia's leading integrated leisure resorts combining theatre/concert venues, live entertainment facilities, Studio RetailTM (a destination retail complex), Las Vegas-style gaming facilities and world-class hotels. The site of the project is strategically located "Where Cotai BeginsTM" next to the Lotus Bridge immigration checkpoint, linking the complex directly to Zhuhai's Hengqin Island.

Project progress

Progress on Macao Studio City stalled over the year under review, as a result of various factors including the difficult economic environment and differences of opinion between East Asia Satellite Television (Holdings) Limited (“EAST”) and New Cotai LLC (“New Cotai”) on various aspects of the project.

EAST is the holding company of a 60% interest in Cyber One (as defined below), and is itself held as to 66.7% indirectly by eSun and as to 33.3% by CapitaLand Integrated Resorts Pte Ltd (“CapitaLand”), a wholly-owned subsidiary of CapitaLand Limited (one of the largest listed real estate companies in Asia). New Cotai is the US joint venture partner holding a 40% interest in Cyber One.

Cyber One Agents Limited (“Cyber One”), the jointly controlled joint venture company responsible for the project (owned as to 60% by EAST and 40% by New Cotai) has yet to receive approval from the Macau government in relation to its application for a land grant modification on land use and to increase the developable gross floor area of the site from the original gazetted area to approximately 6,000,000 square feet. In connection with that application, the Macau government has requested further particulars from the joint venture concerning plans for the project, in respect of which EAST and New Cotai have yet to formulate an agreed response.

Notwithstanding that Macau has suffered from significant economic volatility since the original project plan was developed in 2006/2007, EAST is confident that the Macao Studio City project is an attractive business venture with considerable potential for long-term returns. EAST firmly believes that Cyber One is ready and able to present up-to-date position relating to the project to the Macau government. By contrast, New Cotai has, for its own reasons, refused to approve or allow Cyber One to make any substantive response to the Macau government’s request for further particulars, required in order to move the project forward.

On 29 October 2009, EAST commenced legal proceedings in the Hong Kong SAR against New Cotai and others, seeking, amongst other things, damages of approximately HK\$689 million for breaches of the sale and purchase agreement dated 8 April 2006 pursuant to which New Cotai acquired its interest in Cyber One and, by way of derivative action on behalf of members of the Cyber One group, damages of approximately US\$2.385 billion for inducing or procuring breaches of fiduciary duties owed to such members of the Cyber One group.

The timing and outcome of all litigation is inherently uncertain and, in this case, is likely to be contested and/or may prompt claims or counterclaims on the part of New Cotai or others. eSun has given due consideration to these risks and has chosen to accept those risks because of their firm conviction in the strength of EAST’s claims and strong belief that pursuit of a litigation strategy is a necessary step to protect the indirect interests of all of the eSun shareholders and, ultimately, to preserve the potential of the Macao Studio City project.

Cyber One has not appointed a general contractor and has not, to date, progressed the building works beyond foundations for the super-structure.

Cyber One will need to revisit its plans for the retail component of the project. As announced by eSun on 21 August 2009, the various arrangements with Taubman Centers, Inc and its subsidiaries (“Taubman”), which would have seen Taubman take an equity stake in the retail component and take the lead in managing it, have now lapsed. eSun is aware that the retail element of the Macao Studio City will be one of the key components of the project and it is keen to explore, together with the other stakeholders and Taubman, whether it might be possible to revive or reconfigure the arrangements with Taubman in due course.

Financing

To date, the joint venture parties have contributed a total of US\$200 million capital to the project (eSun's attributable share being US\$80 million). However, Cyber One has yet to secure the necessary project finance for the development. The directors of eSun believe that this will be more readily achievable once consensus is reached between the joint venture partners or the current differences of views are resolved.

eSun continues to hold net proceeds of approximately HK\$1,015 million from its rights issue of 2008, substantially all of which was, and is, intended for investment in the Macao Studio City project. Indeed, it is ultimately anticipated that, when the project does resume, there will be a requirement for further equity investment in excess of these proceeds.

EAST

Although eSun and CapitaLand have been in consistent agreement on the development of Macao Studio City, it should be noted (as previously announced jointly by eSun and the Company on 9 January 2007 and disclosed in eSun's circular of 1 February 2007, each in the context of CapitaLand's acquisition of an interest in EAST) that, in the event that the land grant modification for the first phase of the project has not been published by the Macau government and the occupation permit for Macao Studio City (in effect, signifying completion of the first phase of the project) is not issued solely due to the failure of the Macau government to publish in its gazette the land grant modification for the first phase of the project, in each case, within 54 months of completion of CapitaLand's investment (i.e. by mid September 2011), then CapitaLand would, subject to the terms and conditions in the sale and purchase agreement, have an option to put back its holding of shares in EAST to eSun. The consideration payable for the shares would be equal to the purchase price paid by CapitaLand for the shares (being approximately HK\$659 million to date) and any further sums invested by it (being US\$40 million to date as project funding contribution) (net of any returns or dividends received by CapitaLand).

PROSPECTS

The Hong Kong economy and property market experienced great volatility in the past year. In September 2008, the global financial turmoil negatively affected the local economy and property market sentiment. In order to avoid economic depression, central banks all over the world including China announced generous economic and liquidity stimulus packages. Since the second quarter of 2009, the property market in Hong Kong has shown signs of stabilization.

Given the market development in the past year, the Group is cautiously optimistic about the Hong Kong property market. With continuous improvement of its operations and with the timely disposal of assets in the past few years, the Group has a healthy balance sheet with reasonable leverage. Under the current circumstances, the Group will maintain a prudent approach to manage and grow its businesses.

Investment Properties

Following the crashes in global financial markets in the fourth quarter of 2008 and the subsequent downturn in most of the world's major economies, office and retail rental rates in Hong Kong have been under pressure due to the lower demand of office space and lower retail consumption. However, limited supply of office and commercial properties in prime locations in Hong Kong and the global economic stimulus measures mitigated the weak market sentiment. In addition, consumer spending by the Mainland tourists provided a strong cushion effect to the retail market. As a result, rentals for office and commercial properties in prime locations in Hong Kong have shown signs of stabilisation since the middle of 2009.

With current high occupancy in its investment properties, the Group has in the past economic cycle successfully strengthened its tenant and trade mix, which well prepares the Group to operate through difficult economic environment ahead. In the coming year, the Group will continue to take a defensive approach as regards its rental policies, with the objective of maintaining occupancy rates and rental cashflows from its investment properties.

Development Properties

Prices of residential properties in Hong Kong experienced sharp correction in the fourth quarter of 2008. Since the second quarter of 2009, low mortgage interest rate and encouraging performance of the local stock market triggered the turnaround of property market sentiment. Local homebuyers have regained confidence with improved affordability. Volume and property prices for primary and secondary transactions have grown steadily. The Hong Kong property market should continue to benefit from strong affordability, low interest rates and tight supply in the pipeline.

The Group currently holds a number of residential projects under development in Hong Kong. To capture the strong turnaround in the Hong Kong residential property market, the Group expects to start the pre-sale of residential units in its Wood Road, Wanchai project and Tai Po Road project in 2010.

Given the shortage of supply in core city areas in Hong Kong, the Group is still cautiously optimistic on the Hong Kong residential properties in the longer term. The Group will monitor the local property market closely and will adopt a prudent and balanced approach towards its property development business.

Hotel management

Following the disposal of all hotel assets in Hong Kong in the last two years, the Group only holds a hotel ownership stake in Caravelle Hotel Vietnam. In future, the Group through its hotel management arm, Furama Hotels and Resorts International Limited, will explore opportunities in managing new hotel or serviced apartments projects in the region.

eSun and Macao Studio City

eSun continues to believe that the Macao Studio City will eventually become one of the region's major entertainment destinations and will be an important platform for eSun to expand and monetarize its entertainment and media expertise. eSun remains firmly committed to the project and will continue to press for like-minded commitment from its project partners from time to time.

With regard to eSun's media and entertainment businesses, eSun will strive to (i) steadily increase the number of films produced per annum, with the aim of expanding market share as well as diversifying its earnings risks as a result of over reliance on a small number of films produced per annum; (ii) diversify its business in Hong Kong live entertainment and increase its effort to expand into the live entertainment market in the Mainland; (iii) expand into the Mainland by releasing more Mandarin music albums and by exploring new media distribution of its massive music library; and (iv) develop the lucrative TV drama business in the Mainland.

Liquidity and Financial Resources

As at 31 July 2009, the Group had consolidated net assets of approximately HK\$7,093 million (as at 31 July 2008: HK\$7,327 million).

The Group has diverse sources of financing comprising internal funds generated from the Group's business operations and loan facilities provided by banks.

As at 31 July 2009, the Group had outstanding secured bank borrowings of approximately HK\$2,147 million (as at 31 July 2008: HK\$1,875 million secured bank and other borrowings). The debt to equity ratio as expressed in a percentage of the total outstanding borrowings to consolidated net assets was approximately 30%. As at 31 July 2009, the maturity profile of the bank borrowings of HK\$2,147 million was spread over a period of less than 5 years with HK\$613 million repayable within 1 year, HK\$319 million repayable in the second year and HK\$1,215 million repayable in the third to fifth years. As at 31 July 2009, all the Group's borrowings carried interest on a floating rate basis. Including in amount of HK\$613 million repayable within one year is an outstanding loan amount of HK\$489 million under a syndicated bank loan facility which is repayable in January 2010. During the year, the Group started discussion with the arranger bank on the refinancing of this loan facility. The arranger bank has already started the syndication process of the proposed loan facility and received positive feedback from various other participant banks. It is expected that the refinancing of this loan facility could be completed in November 2009.

As at 31 July 2009, certain investment properties with carrying amounts of approximately HK\$5,185 million, certain property, plant and equipment with carrying amounts of approximately HK\$259 million, prepaid land lease payments of approximately HK\$28 million, certain properties under development of approximately HK\$399 million and certain bank balances and time deposits with banks of approximately HK\$78 million were pledged to banks to secure banking facilities granted to the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure loan facilities granted to the Group. The one share of an associate held by the Group was pledged to banks to secure a loan facility granted to this associate of the Group. Certain shares of an investee company held by the Group were pledged to banks to secure a loan facility granted to this investee company. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

The Group's monetary assets and liabilities and transactions are principally denominated in Hong Kong dollars or United State dollars. All of the Group's borrowings are denominated in Hong Kong dollars or US dollars. Considering that Hong Kong dollars are pegged against US dollars, the Group believes that the corresponding exposure to exchange rate risk is nominal.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2009, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the Annual Report save for the deviation from code provisions A.4.1 and E.1.2.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. None of the existing non-executive Directors of the Company is appointed for a specific term. However, under the articles of association of the Company, all Directors of the Company are subject to retirement by rotation once every three years since their last election and retiring directors are eligible for re-election.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. Due to other commitments which must be attended to by the Chairman, the Chairman was not present at the annual general meeting of the Company held on 23 December 2008.

REVIEW OF ANNUAL RESULTS

The annual results of the Company for the year ended 31 July 2009 have been reviewed by the audit committee of the Company. The audit committee comprises the three independent non-executive Directors of the Company, namely, Messrs. Wan Yee Hwa, Edward, Lam Bing Kwan and Leung Shu Yin, William.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 July 2009 have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Wednesday, 23 December 2009. Notice of the Annual General Meeting together with the Company's Annual Report for 2008-2009 will be despatched to shareholders in due course.

By Order of the Board
Lam Kin Ngok, Peter
Chairman

Hong Kong, 6 November 2009

As at the date of this announcement, the executive Directors of the Company are Mr. Lam Kin Ngok, Peter, Mr. Lau Shu Yan, Julius, Mr. Tam Kin Man, Kraven, Mr. Cheung Wing Sum, Ambrose and Miss Leung Churk Yin, Jeanny; the non-executive Directors are Mr. Lam Kin Ming and Madam U Po Chu, and the independent non-executive Directors are Mr. Lam Bing Kwan, Mr. Leung Shu Yin, William and Mr. Wan Yee Hwa, Edward.